

typ
CO. 00/11

CHROMASCO

ANNUAL REPORT 1969

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

THIRTY-SECOND ANNUAL REPORT

Directors

Alan M. Badian, C.A.

*John E. L. Duquet, Q.C.

Henry M. Marx

R. G. Nesbitt, C.A.

*J. G. Notman

*J. Thomas Timmins

Jules R. Timmins

*Noé A. Timmins, Jr.

*Member of the Executive Committee

Officers

Noé A. Timmins, Jr.
Chairman of the Board

J. Thomas Timmins
President

John E. L. Duquet, Q.C.
Vice President

R. G. Nesbitt, C.A.
Vice President—Finance

J. P. Sheehan, C.A.
Secretary-Treasurer

Executive Offices

3720 Place Victoria
Montreal 115, Quebec

General Counsel

Duquet, MacKay, Weldon,
Bronstetter, Willis & Johnston
Advocates, Barristers & Solicitors
Montreal, Quebec

Auditors

Riddell, Stead, Graham & Hutchison
Chartered Accountants
Montreal, Quebec

Bankers

Bank of Montreal
Montreal, Quebec

Transfer Agents

Crown Trust Company
302 Bay Street, Toronto 1, Ont.
393 St. James Street West
Montreal 126, Quebec

Annual Meeting of Shareholders

The Thirty-second Annual Meeting of the Shareholders will be held in the Conference Room of the Bank of Montreal, Main Floor, Stock Exchange Tower, Place Victoria, Montreal 115, Quebec, Canada, at 2:30 p.m. on Friday, July 18, 1969. The aforementioned date has subsequently been changed to July 25, 1969.



Highlights

	1969	1968
Net sales.....	\$20,519,230	\$19,809,150
Earnings (loss) before income taxes and extraordinary item.....	\$(1,015,393)	\$ 62,467
Net earnings (loss) for the year.....	\$(1,038,636)	\$ 36,979
Dividends on preference shares.....	\$ 113,750	\$ 227,500
Current assets.....	\$ 8,275,068	\$ 7,791,066
Current liabilities.....	5,774,120	3,985,099
Working capital.....	\$ 2,500,948	\$ 3,805,967
Ratio of current assets to current liabilities.....	1.43	1.96
Expenditure for property, plant and equipment.....	\$ 781,917	\$ 694,354
Shares issued and fully paid at April 30—		
Preference.....	32,500	32,500
Common.....	3,420,000	3,420,000

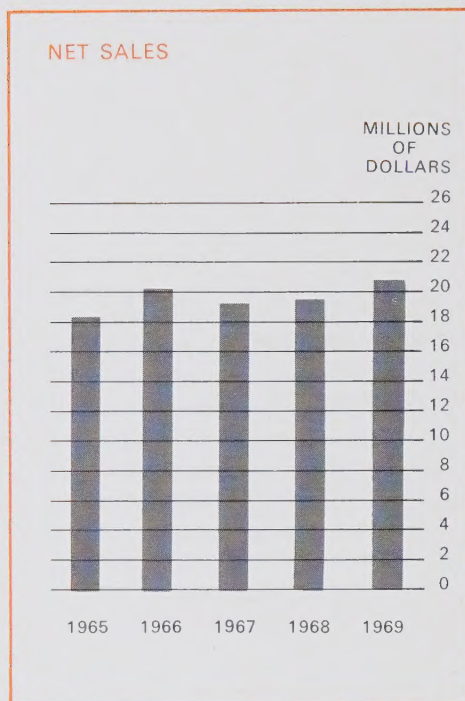
Directors' Report

To the Shareholders
CHROMIUM MINING & SMELTING
CORPORATION, LIMITED:

Your Directors submit with this Thirty-second Annual Report of the Corporation and its subsidiary companies the consolidated balance sheet as at April 30, 1969, the consolidated statements of earnings and retained earnings, and source and application of funds for the year ended April 30, 1969.

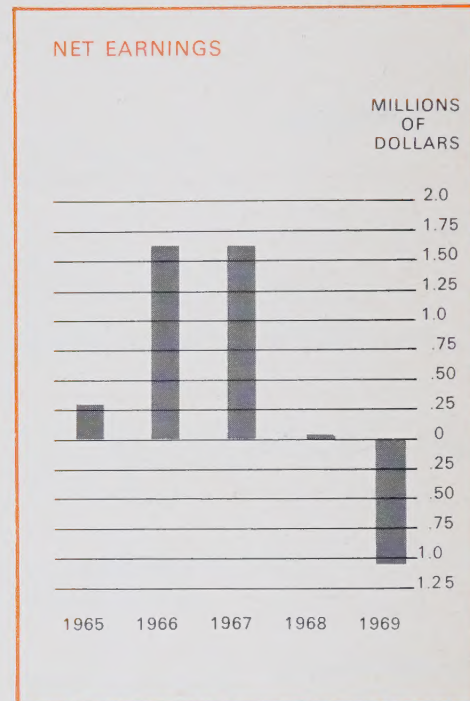
Sales

Consolidated net sales amounted to \$20,519,230 reflecting a slight increase from 1968. The demand for ferroalloys continued to be strong during the year and particularly during the early part of 1969. Many technological innovations are taking place throughout the industries served by the Corporation and the market for ferroalloys is changing, necessitating adjustments in our product mix. With production problems of the past year behind us, greater emphasis will be placed on all aspects of marketing.



Earnings

Consolidated net loss of Chromium Mining & Smelting Corporation, Limited and subsidiary companies amounted to \$1,038,636, compared to a net profit of \$36,979 for the year ended April 30, 1968.



The earnings were greatly affected by the continuation of general operating problems at the Beauharnois facility and, in particular, severe mechanical difficulties experienced with the newest self-baking electrode smelting furnace. This furnace was extensively redesigned and the modifications re-

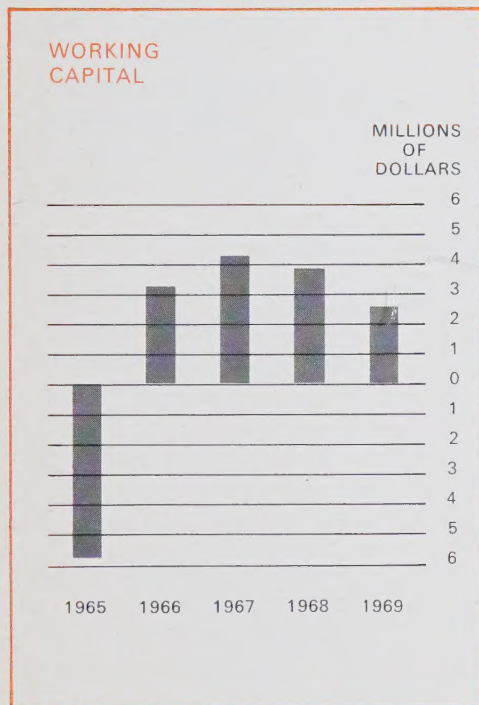
sulting therefrom necessitated taking the unit off commercial production for extended periods. The loss of production and the re-scheduling of the remaining production capacity, in order to satisfy customers' requirements, had an adverse effect on earnings. Costs at both plants were additionally increased by the introduction of new products and processes.

Working Capital

Working capital as of April 30, 1969, totalled \$2,500,948 compared with \$3,805,967 at the end of the previous fiscal year.

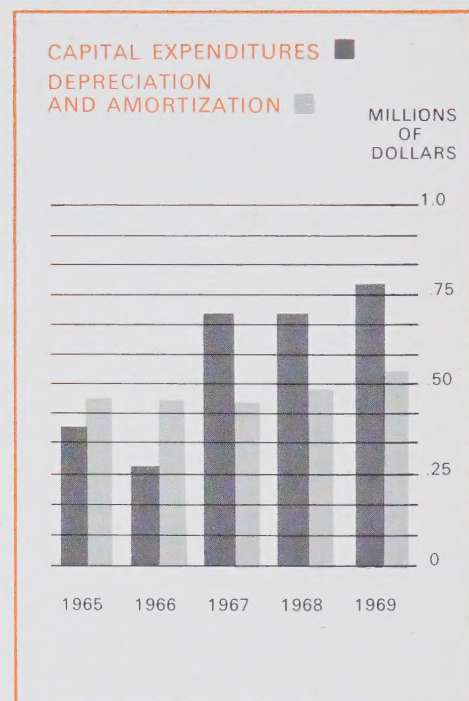
Current assets were 1.4 times current liabilities at April 30, 1969, and 2.0 times current liabilities at April 30, 1968.

No dividends were paid on the cumulative redeemable preference shares for the last two quarters with the result that at April 30, 1969 dividends on such shares were in arrears in the amount of \$113,750.



Property, Plant and Equipment

A major expansion and improvement program has been recently completed at Beauharnois. Some 25,000 square feet of modern mill building space has been added and technological improvements have been made in many areas of the smelter. The purpose of these expenditures was to enable the plant to operate at peak efficiency and full design capacity and to remain competitive in the worldwide ferroalloy market.



An X-ray spectrometer, an illustration of which is displayed in this Report, has been added to the Memphis Plant laboratory. The Corporation stresses the production of high quality ferroalloys and this modern analytical tool will permit your Corporation to meet even more stringent specifications. Following a comprehensive feasibility study, the Corporation began to strengthen its Management Information System based on electronic data

processing. To accomplish this, a data center has been established at the Corporate office. Implementation of this system will extend over several years and should result in a steadily improving information system in order to enhance the overall efficiency of the organization.

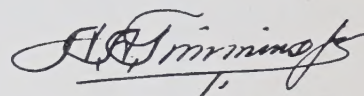
Personnel

Effective November 8, 1968, Mr. R. S. Poister resigned from your Board of Directors on which he served as a member for over eight years. His resignation was accepted with both regret and an expression of appreciation for the substantial contribution which he made to the Corporation, particularly through his knowledge of and experience in the steel industry. The appointment of Mr. R. G. Nesbitt to the Board of Directors was made on May 2, 1969. Mr. Nesbitt has been associated with the Corporation for many years and is the Vice President—Finance.

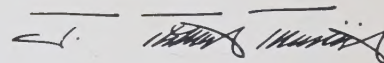
In its continued efforts to have the managerial and technical leadership required, the Corporation has attracted and retained the services of personnel with a high degree of administrative and technical experience. The following appointments have recently been made: Mr. B. W. King as Vice President and General Manager, Mr. K. A. Tambling as Vice President—Marketing, Mr. F. E. Wright as Vice President of Operations, Mr. G. Fegan as Vice President—Engineering and Development, and Mr. J. P. Sheehan as Secretary-Treasurer.

The Board of Directors wishes to record its appreciation to the Corporation's customers for their patronage and to pay tribute to the officers and employees for their contribution during the year.

On behalf of the Board



Chairman of the Board



President

June 26, 1969.

Shareholders' Annual Meeting

The Shareholders' Annual Meeting will be held in the Conference Room of the Bank of Montreal, Main Floor, Stock Exchange Tower, Place Victoria, Montreal 115, Quebec, Canada at 2:30 p.m. on Friday, July 25, 1969. Formal Notice of this Meeting, together with an Instrument of Proxy and Information Circular, is enclosed with this Report.

CHROMIUM MINING & SMELTING CORPORATION, LIMITED

and Subsidiary Companies

Plants

Beauharnois, Quebec
Smelter Plant

Memphis, Tennessee
Smelter, refining and finishing plant

Principal Products

Silicon Alloys

50% Ferrosilicon
65% Ferrosilicon
75% Ferrosilicon
75% Ferrosilicon High Purity
85% Ferrosilicon
Magnesium Ferrosilicon
Sil-X

Manganese Alloys

Medium Carbon Ferromanganese
Nitrided Ferromanganese
Standard Ferromanganese
Silicomanganese
Man-X-1
Man-X-6

Chromium Alloys

Charge Grade Ferrochrome
Blocking Grade Ferrochrome
Low Carbon Ferrochrome
Ferrochrome Silicon
Chrom-X-4
Chrom-X-25-6.25
Chrom-X-25-12.5
Chrom-Sil-X
Chrom-X-05

Customer Service

Sales Offices

Montreal, Quebec
3720 Place Victoria,
Montreal 115, Quebec
Telephone (514) 866-5344

Chicago, Illinois
33 North Dearborn Street,
Chicago, Illinois 60602
Telephone (312) 263-1870

Pittsburgh, Pennsylvania
Three Parkway Center,
875 Greentree Road,
Pittsburgh, Pennsylvania 15220
Telephone (412) 921-2703

Warehouses

Sault Ste. Marie, Ontario
Hamilton, Ontario
Beauharnois, Quebec
Buffalo, New York
Birmingham, Alabama
Pittsburgh, Pennsylvania
Chicago, Illinois
Memphis, Tennessee
Detroit, Michigan

Research and Quality Control

Laboratories

Beauharnois, Quebec
Quality control
Memphis, Tennessee
Research and quality control



inspection.

CHROMASCO

QUALITY FERROALLOYS

processing. To accomplish this, a data center has been established at the Corporate office. Implementation of this system will extend over several years and should result in a steadily improving information system in order to enhance the overall efficiency of the organization.

Personnel

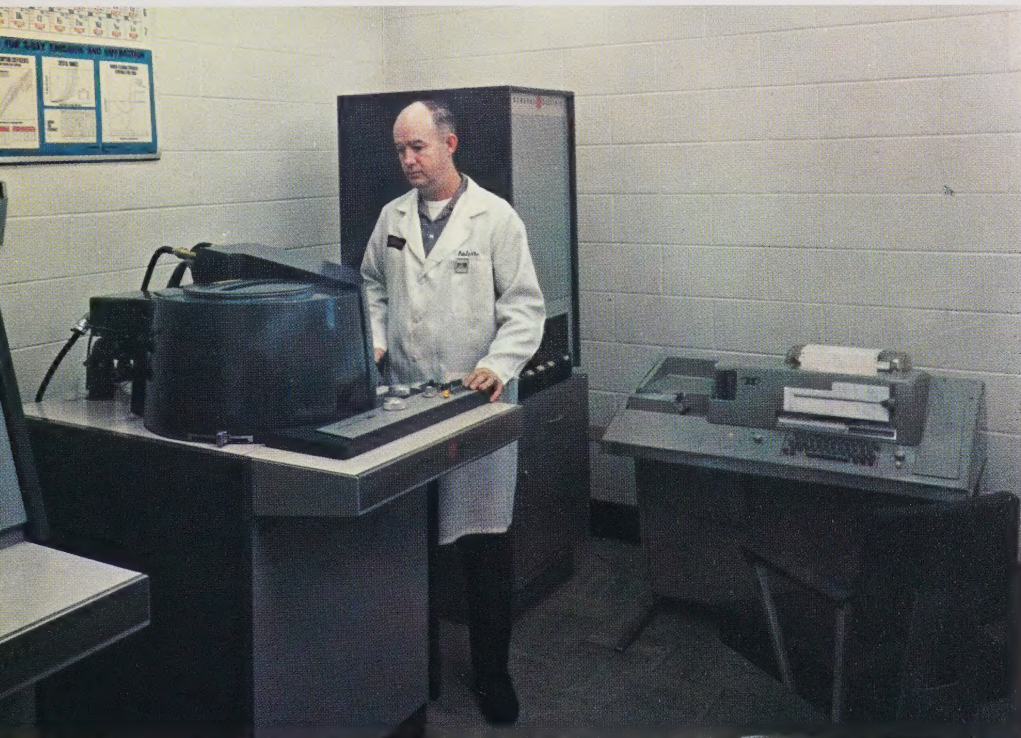
Effective November 8, 1968, Mr. R. S. Poister resigned from your Board of Directors on which he served as a member for over eight years. His resignation was accepted with both regret and an expression of appreciation for the substantial contribution which he made to the Corporation, particularly through his knowledge of and experience in the steel industry. The appointment of Mr. R. G. Nesbitt to the Board of Directors was made on May 2, 1969. Mr. Nesbitt has been associated with the Corporation for many years and is the Vice President—Finance.

*The X-Ray Spectro
laboratory for faste
materials, materials*



Raw materials unloading.

added to the Memphis Plant
more accurate analysis of raw
process and finished products.



Casting of silicon alloys.



Finished products final inspection.

Consolidated Statement of Earnings and Retained Earnings

For the year ended April 30, 1969

	1969	1968
Net sales	\$20,519,230	\$19,809,150
Cost of sales, selling, administrative and general expenses (Note 5)	20,284,889	18,762,168
Earnings from operations before the undernoted	234,341	1,046,982
Depreciation and amortization	546,232	480,459
Interest on long-term note	110,000	110,000
Other interest	362,222	208,809
Employees' pension funds (Note 6)	231,280	185,247
	<u>1,249,734</u>	<u>984,515</u>
Earnings (loss) before income taxes and extraordinary item	(1,015,393)	62,467
Income taxes	81,621	323,244
Earnings (loss) before extraordinary item	(1,097,014)	(260,777)
Income tax reduction resulting from carry forward of prior years' losses (Note 7)	58,378	297,756
Net earnings (loss) for the year	(1,038,636)	36,979
Retained earnings—beginning of year	1,544,353	1,742,786
	505,717	1,779,765
Increase in prior years' income taxes	—	7,912
Dividends on preference shares (Note 4)	113,750	227,500
Retained earnings —end of year	<u>\$ 391,967</u>	<u>\$ 1,544,353</u>

Consolidated Statement of Source and Application of Funds

For the year ended April 30, 1969

	1969	1968
Source of funds		
Sale of fixed assets—net book value.....	\$ 83,052	\$ 20,497
Application of funds		
Operations		
Loss for the year.....	1,038,636	(36,979)
Depreciation and amortization.....	(546,232)	(480,459)
	492,404	(517,438)
Investment in fixed assets.....	781,917	694,354
Dividends on preference shares (Note 4).....	113,750	227,500
Income taxes applicable to prior years.....	—	7,912
	1,388,071	412,328
Working capital decrease.....	1,305,019	391,831
Working capital—beginning of year.....	3,805,967	4,197,798
Working capital—end of year.....	\$2,500,948	\$3,805,967

Consolidated Balance Sheet—April 30, 1969

Assets

Current assets	1969	1968
Cash	\$ 196,076	\$ 137,218
Accounts receivable	3,157,962	2,901,733
Inventories		
Raw materials and supplies at average cost which approximates replacement cost . .	1,419,209	1,065,152
Work in process and finished products at lower of average cost and net realizable value	3,262,479	3,623,260
Prepaid expenses	239,342	63,703
	<u>8,275,068</u>	<u>7,791,066</u>
 Fixed assets (Note 2)		
Land, buildings, leasehold improvements and equipment at cost	11,628,347	11,196,669
Accumulated depreciation and amortization	5,531,076	5,252,031
	<u>6,097,271</u>	<u>5,944,638</u>
	 <u>\$14,372,339</u>	 <u>\$13,735,704</u>

Signed on behalf of the Board:
J. THOMAS TIMMINS, Director.
R. G. NESBITT, Director.

Liabilities

Current liabilities

	1969	1968
Bank indebtedness (Note 3)	\$ 3,044,850	\$ 1,974,353
Accounts payable and accrued liabilities	2,598,234	1,831,630
Dividend payable on preference shares	—	56,875
Income taxes	17,646	26,151
Taxes other than income taxes	113,390	96,090

5,774,120

3,985,099

Note payable to affiliated company

5½%—due May 31, 1970	2,000,000	2,000,000
----------------------------	-----------	-----------

Shareholders' equity

Capital stock (Note 4)

Preference shares

Authorized and issued

32,500 7% cumulative preference shares of a par value of \$100 each redeemable at \$103.50	3,250,000	3,250,000
--	-----------	-----------

Common shares

Authorized

6,000,000 common shares of no par value

Issued

3,420,000 shares	2,956,252	2,956,252
------------------------	-----------	-----------

Retained earnings	391,967	1,544,353
	6,598,219	7,750,605
	\$14,372,339	\$13,735,704

Notes to Consolidated Financial Statements

For the year ended April 30, 1969

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies expressed in Canadian currency at the appropriate rates of exchange.

2. FIXED ASSETS

	1969		1968	
	Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Land.....	\$ 118,398	\$ —	\$ 122,773	\$ —
Buildings and property improvements. . .	2,655,045	782,776	2,785,782	861,563
Machinery and equipment.....	8,329,512	4,628,626	7,938,228	4,282,863
Leasehold improvements.....	282,060	119,674	269,327	107,605
Construction in progress.....	243,332	—	80,559	—
	<u>\$11,628,347</u>	<u>\$5,531,076</u>	<u>\$11,196,669</u>	<u>\$5,252,031</u>

3. BANK INDEBTEDNESS

Bank indebtedness is secured by pledge of accounts receivable and inventories.

4. CAPITAL STOCK

Pursuant to the Corporation's Stock Option Plan established in 1962, the Corporation has granted options to certain officers and employees to purchase common shares of the capital stock of the Corporation. As at April 30, 1969 options in respect of 43,700 shares were outstanding at prices ranging from \$1.23 to \$1.95 per share with expiry dates ranging from June 1969 through January 1974.

Dividends on the cumulative redeemable preference shares are in arrears in the amount of \$113,750.

5. DIRECTORS' REMUNERATION

Total Directors' fees incurred for the year ended April 30, 1969 amounted to \$11,526 compared with \$12,000 for the prior year. The aggregate direct remuneration paid to the Directors and Senior Officers of the Corporation, by the Corporation and its subsidiaries, amounted to \$160,063 for the year ended April 30, 1969 and \$153,980 for the year ended April 30, 1968.

6. PENSION FUNDS

Pension costs charged against earnings during the year under review include amounts paid or payable to trust funds in respect of current and past services. Past service costs are being funded over periods of twenty-five years ending in 1990 for the Parent Corporation's pension plan and forty years ending in 2007 for the United States subsidiary company's pension plans. The total unfunded past service liability at April 30, 1969, as determined by independent actuaries, was estimated at approximately \$972,000. The unfunded past service liability is subject to continuance of the pension plans and the terms and conditions of the pension plan agreements.

7. INCOME TAX

Loss carry forwards for income tax purposes aggregating approximately \$1,500,000 are available to the Corporation and its subsidiaries as an offset against taxable income for periods up to April 30, 1974. Of this amount \$300,000 expires in 1970.

8. LEASE COMMITMENTS

The Corporation has long-term agreements for office and production facilities terminating in 1976 and 1983 respectively. Annual rental charges aggregate approximately \$315,000.

RIDDELL, STEAD, GRAHAM & HUTCHISON
CHARTERED ACCOUNTANTS

630 DORCHESTER BLVD. W.
MONTREAL 101

Auditors' Report

To The Shareholders

Chromium Mining & Smelting Corporation, Limited

We have examined the consolidated balance sheet of Chromium Mining & Smelting Corporation, Limited and its subsidiaries as at April 30, 1969 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at April 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead, Graham & Hutchison.

June 6, 1969.

CHROMASCO